
BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF UTAH

In the matter of the approval of the proposed
acquisition by:

STAGECOACH LLC, a Delaware limited
liability company; and ADVANTAGE WEST
LLC, a Delaware limited liability company,

Applicants,

of

SENTINEL SECURITY LIFE INSURANCE
COMPANY, a Utah corporation,

a domestic insurer.

RECOMMENDED ORDER

Docket No. 2015-145 AD

BY THE PRESIDING OFFICER:

I. INTRODUCTION

This matter is before the Department of Insurance on StageCoach LLC and Advantage West LLC's Form A application to acquire control of Sentinel Security Life Insurance Company. The Presiding Officer has reviewed the Form A, and considered the evidence and argument presented at the December 14, 2015 hearing. Having considered all the evidence and being fully advised, the Presiding Officer, for the reasons set forth below, recommends to the Commissioner that StageCoach and Advantage West's Form A be APPROVED.

II. PROCEDURAL HISTORY

StageCoach and Advantage West (together, the "Applicants") filed their Form A with the Utah Insurance Department (the "Department") on October 9, 2015. On October 20, 2015, the Department found that the Form A was incomplete, and requested additional information from

Applicants. Additional information was provided, the Form A was considered complete on November 16, 2015, and a hearing was scheduled for December 14, 2015. On December 7, 2015, Applicants requested a Form E waiver. That request was approved the next day by the Department. Notice of the hearing was published on the Department website, and also mailed to Sentinel Security Life Insurance Company (“Sentinel”) shareholders.

A prehearing conference was held on December 9, 2015 with all parties. The parties discussed the requirements of Utah Code Ann. § 31A-16-103 and hearing procedure.

The hearing was held on December 14, 2015. Counsel for Applicants and the Department were present, as well as members of Sentinel’s Board of Directors and staff members from the Department. At the hearing, Applicants presented evidence in support of their application and as required by Utah Code Ann. § 31A-16-103(8)(a). The Department did not present evidence, and stated that it did not oppose the application.

III. BUSINESS ENTITIES

At hearing, the Applicants explained the nature of the proposed acquisition and the business entities involved. Kenneth King testified that Advantage Capital Holdings, LLC is the parent company of the Applicants, StageCoach LLC and Advantage West LLC. Mr. King testified that the Applicant entities were organized for the primary purpose of acquiring Sentinel. The Applicants are wholly owned by Advantage Capital Holdings, LLC, of which Mr. King is the President.

IV. LEGAL STANDARD

Before acquiring control of a domestic insurer, the acquiring entity must: file with the Utah Department of Insurance Commissioner a statement containing the information required by Utah Code Ann. § 31A-16-103, and provide a copy of that statement to the insurer being

acquired. Utah Code Ann. §§ 31A-16-103(1)(a) and (b). Then, the Commissioner must approve the acquisition. *Id.* § 31A-16-103(1)(a)(iii).

The Commissioner must approve an acquisition unless the Commissioner finds that: (1) after the acquisition, the applicant would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed; (2) the effect of the acquisition would: substantially lessen competition in insurance in this state; or tend to create a monopoly; (3) the financial condition of any acquiring party might: jeopardize the financial stability of the insurer; or prejudice the interest of: its policyholders; or any remaining securityholders who are unaffiliated with the acquiring party; (4) the terms of the acquisition are unfair and unreasonable to the securityholders of the insurer; (5) the plans or proposals which the acquiring party has to liquidate the insurer, sell its assets, or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are: unfair and unreasonable to policyholders of the insurer; and not in the public interest; or (6) the competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of the policyholders of the insurer and the public to permit the merger or other acquisition of control. Utah Code Ann. § 31A-16-103(8)(a).

The applicant must prove the elements of section 31A-16-103(8)(a) by a preponderance of evidence. Utah Admin. Code. r.590-160-5(10). A preponderance of the evidence “‘means the greater weight of the evidence, or as sometimes stated, such degree of proof that the greater probability of truth lies therein.’” *Handy v. United States Bank, N.A.*, 2008 UT App 9, ¶ 25, 177 P.3d 80 (quoting *Wightman v. Mountain Fuel Supply Co.*, 302 P.2d 471, 473 n.5 (1956) (further citation omitted)).

V. DISCUSSION

At hearing, Applicants called Kenneth King, President of Advantage Capital Holdings, and Daniel Acker, President of Sentinel to testify as to the requirements of Utah Code Ann. 31A-16-103. Applicants submitted as evidence a printout of the Notice of Public Hearing published on the Utah.gov website, and an affidavit from Mr. Acker. (Notice Printout, Ex. A; G. Daniel Acker Aff., Ex. B.) Mr. King testified as to all six requirements of Utah Code Ann. § 31A-16-103(8)(a), and Mr. Acker testified as to the notice requirements. Mr. King and Mr. Acker offered extensive and persuasive testimony regarding the nature of the transaction, and that the transaction will meet the requirements of Utah law. No party or person appeared at the hearing to oppose the proposed transaction.

Having considered the parties' evidence and arguments, and being fully advised, the Presiding Officer recommends to the Commissioner that the Form A application be approved, and enter the following Findings of Fact and Conclusions of Law:

V. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. After Applicants' acquisition of Sentinel (the "Acquisition"), Applicants will be able to satisfy the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed.

- a. Mr. King testified that there are no plans to change Sentinel's business plan in any way, and that Sentinel will continue to operate the same as before the Acquisition, and be able to satisfy the requirements for issuance of a license as it has in the past.

2. The Acquisition will not substantially lessen competition in insurance in Utah or tend to create a monopoly in insurance.

- a. Mr. King testified that Advantage Capitol's related affiliates do not do business in Utah, so the Acquisition will affect competition in Utah. Mr. King further testified that the Department's Form E waiver further evidenced the fact that the Acquisition will not tend to create a monopoly or lessen competition in Utah.
- 3. The financial stability of the insurer, its policyholders, or any remaining securityholders who are unaffiliated with the acquiring party will not be jeopardized.
 - a. Mr. King testified that the Acquisition will improve the financial stability of Sentinel, its policyholders, and securityholders. As part of the Acquisition, \$10 million will be infused into Sentinel, improving its financial condition and its rating from A.M. Best.
- 4. The terms of the Acquisition are fair and reasonable to the securityholders.
 - a. Mr. King discussed the terms of the Acquisition, and how the parties had arrived at the agreed-upon valuation of Sentinel. Mr. King testified extensively regarding Sentinel's book value and share value, and how the value of Sentinel will be improved by the infusion of capital, and its ability to offer other services as a result of the Acquisition.
- 5. The plans which Applicants have for Sentinel are not unfair or reasonable to Sentinel policyholders and not contrary to the public interest.
 - a. Mr. King testified that the plan is to maintain Sentinel's current business plan, and not make changes to the plan or management. As stated above, the plan to infuse additional capital into Sentinel will actually improve its condition and be beneficial to policyholders and the public.

6. The competence, experience, and integrity of those persons who will control the operation of Sentinel is such that it is in the interest of the Sentinel policyholders and the public to permit the Acquisition.

- a. Mr. King again testified that there are no plans to change the management at Sentinel, and that their competence, experience, and integrity will benefit from the Acquisition by having additional support from Advantage Capital Holdings.


7. The notices sent to shareholders, and notice of the hearing, were properly sent and publicized.

- a. Mr. Ackers testified that notice of the Acquisition and hearing were mailed to shareholders in accordance with Utah Code Ann. § 31A-16-103(14). Applicants also provided evidence that notice of the hearing had been published on the Utah.gov website.

V. RECOMMENDED ORDER

The Presiding Officer recommends that the Commissioner enter an Order, finding that the requirements of Utah Code Ann. § 31A-16-103 have been met, and approve the acquisition of Sentinel by Applicants.

DATED December 16, 2015.



Greg Soderberg
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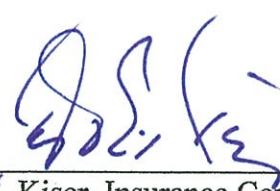
BY THE COMMISSIONER:

Todd E. Kiser, Commissioner of the Utah Insurance Department, has reviewed the
Presiding Officer's Recommended Order and adopts the recommendation in its entirety.

ORDER

Applicants' Application regarding the acquisition of Sentinel Security Life Insurance
Company by StageCoach LLC and Advantage West LLC. is APPROVED.

Dated December 16, 2015.



Todd E. Kiser, Insurance Commissioner

ADMINISTRATIVE AGENCY REVIEW

Administrative Agency Review of this Order may be obtained by filing a Petition for Review with the Commissioner of the Utah Insurance Department within thirty (30) days of the date of entry of said Order consistent with Utah Code Ann. § 63G-4-401 and Administrative Rule 590-160. Failure to seek agency review shall be considered a failure to exhaust administrative remedies. Utah Admin. Code r.590-160-8; Utah Code Ann. § 63G-4-403.

JUDICIAL REVIEW

Judicial review of this Order may be obtained by filing a petition consistent with Utah Admin. Code r.590-160-8 and Utah Code Ann. § 63G-4-403.

CERTIFICATE OF MAILING

On December 16th, 2015 a copy of the above and foregoing RECOMMENDED ORDER and ORDER was sent to:

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